



# Michigan

## Benefits From Exports

Michigan's export sales of merchandise in 2000 totaled \$51.6 billion, up by more than 24 percent from 1999 and more than double the 1993 total of \$25.3 billion.

Michigan's exports, buoyed by the North American Free Trade Agreement (NAFTA), have recently grown much faster than overall U.S. exports of goods. In 2000, Michigan posted the fourth highest export total of any state.

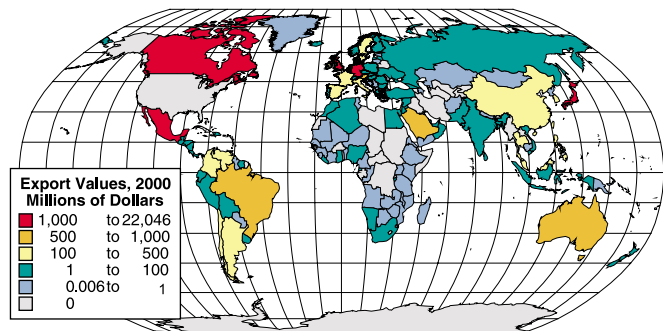
Michigan exports goods globally to 177 foreign destinations. The state's leading markets, by far, are the NAFTA countries of Canada (43 percent of 2000 exports) and Mexico (32 percent). Other top markets are Japan, the United Kingdom, Germany, Belgium, Australia, Brazil, Saudi Arabia, and Austria.

Michigan's biggest growth markets, in dollar terms, are Mexico and Canada. From 1997 to 2000, export sales to Mexico grew 155 percent, from \$6.5 billion to \$16.5 billion. Exports to Canada rose from \$19.8 billion to \$22.0 billion. Other leading growth markets are the United Kingdom, the Netherlands, and Colombia.

The state's exports are dominated by transportation equipment, which alone accounted for 59 percent—

### MICHIGAN EXPORTED GOODS WORTH \$51.6 BILLION TO 177 FOREIGN MARKETS IN 2000

Dollar Value of Michigan's Merchandise Exports to Foreign Markets, 2000



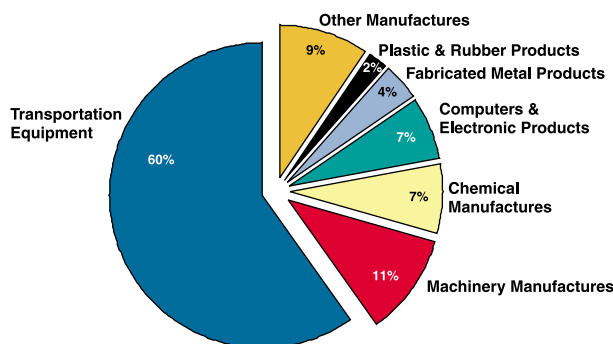
Source: U.S. Department of Commerce, Exporter Location Series.

more than half—of Michigan's total exports in 2000. Other top manufactured exports are machinery, chemicals, and computers and electronic products.

Within Michigan, Detroit led all metropolitan areas with 1999 export sales of \$28 billion—68 percent of the state total and the third largest export total among U.S. metro areas. During 1993–99, Detroit's exports rose \$11.2 billion—the second biggest dollar increase among U.S. metro areas.

Other Michigan metro areas that posted sizable exports in 1999 were Grand Rapids–Muskegon–Holland, Saginaw–Bay City–Midland, Ann Arbor, Flint, and Kalamazoo–Battle Creek.

### MICHIGAN EXPORTS A WIDE RANGE OF MANUFACTURES: \$50.8 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

## Exports Support Good Jobs

Export-related jobs tend to be high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Michigan depended on manufactured exports for 372,900 jobs—the fourth highest total of any state. Export-supported jobs accounted for an estimated 9.5 percent of the state's

total private sector employment, placing Michigan eighth among the states in terms of dependence on exports.

Manufactured exports supported 191,000 jobs—more than one of every five workers—in Michigan’s manufacturing industries. Manufacturing sectors with the most export-related jobs were transportation equipment, fabricated metal products, machinery, primary metals, plastics and rubber products, and chemicals.

Exports of manufactured goods also indirectly supported 181,900 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

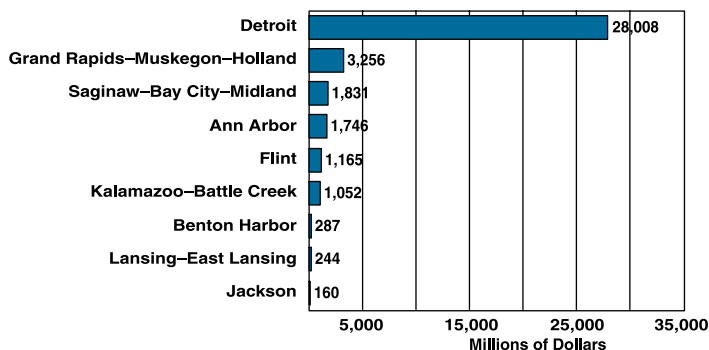
## Exports Help Small Business

Exports have broadly benefited Michigan’s businesses—both large and small. A total of 10,482 companies exported goods from Michigan locations in 1998. More than 86 percent of these companies, accounting for about 16 percent of the state’s total merchandise exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 73 percent of Michigan’s exporters were small firms with fewer than 100 workers.

## Foreign Competitors Are Not Standing Still

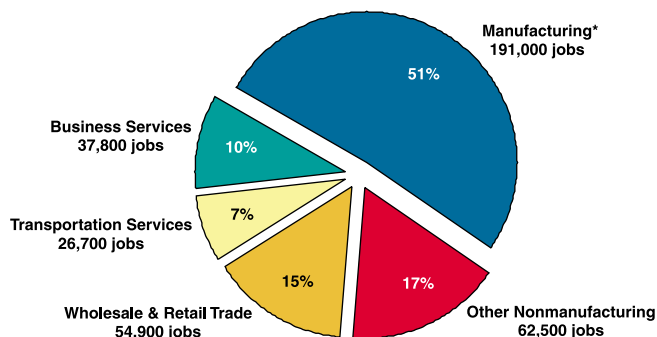
While previous rounds of trade negotiations were highly successful in reducing trade barriers, much

### SIX MICHIGAN METRO AREAS POSTED EXPORTS OF \$1 BILLION OR MORE IN 1999



Source: U.S. Department of Commerce, Exporter Location Series.

### 372,900 MICHIGAN JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



\*Includes 1,200 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

*U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.*

*Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.*

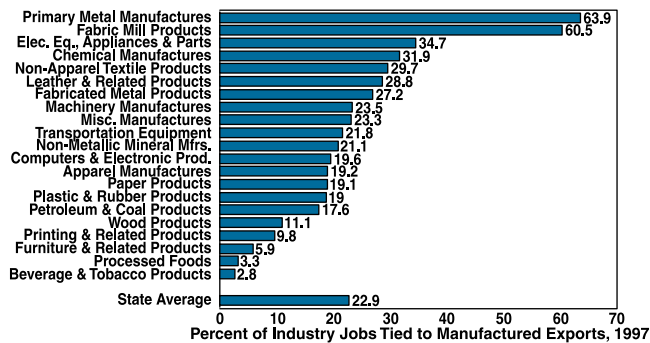
*TPA preserves the ability of the United States to protect public health, safety, and the environment.*

work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

## Michigan Industries Can Gain From Trade Negotiations

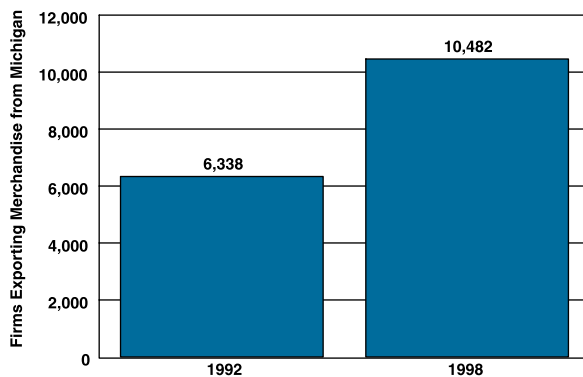
Michigan exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reduc

### MORE THAN ONE-FIFTH OF MANUFACTURING JOBS IN MICHIGAN WERE TIED TO EXPORTS IN 1997



Note: In 1997, 22.9 percent of the 833,400 manufacturing jobs in Michigan were tied to manufactured exports—some 191,000 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.  
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### THE NUMBER OF COMPANIES EXPORTING FROM MICHIGAN ROSE 65 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

ing these barriers will significantly benefit Michigan businesses across many industrial sectors.

**Automotive products.** The automotive industry is the world's largest manufacturing sector, and the United States is the industry's largest producer. In 2000, total U.S. automotive exports exceeded \$78 billion. Important progress was made during the Uruguay Round, including a commitment from Japan to lower and maintain nearly all of its automotive tariffs at zero. Other accomplishments include a reduction in nontariff measures (reduced customs processing and trade-related investment obstacles), increased intellectual property protection, and transparency in the use of import licenses. Nevertheless, Michigan automotive exports continue to confront severe market access restrictions. Tariffs on automobiles are extremely high in most developing countries. Tariffs range from 25 percent to 300 percent in southeast Asia, 30 percent to 160 percent in Africa and the Middle East, and 8 percent to 90 percent throughout Latin

America. Key industrialized nations also maintain high tariffs, such as the 10–22 percent tariffs on cars and trucks in the European Union (EU) and tariffs of up to 43 percent in eastern Europe (to which the EU has duty-free access under bilateral trade agreements). Another obstacle to U.S. automotive exports is nontariff barriers—including local content requirements, distribution controls, and redundant standards.

**Industrial machinery.** While Michigan's industrial machinery manufacturers have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

**Chemicals.** Michigan exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products

from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries,

### MICHIGAN: WHY TRADE PROMOTION AUTHORITY?

*Trade Promotion Authority is critical for removing remaining barriers to exports of Michigan goods and services.*

*Michigan exporters still face major trade barriers in such sectors as automotive products, industrial machinery, chemicals, and information technology.*

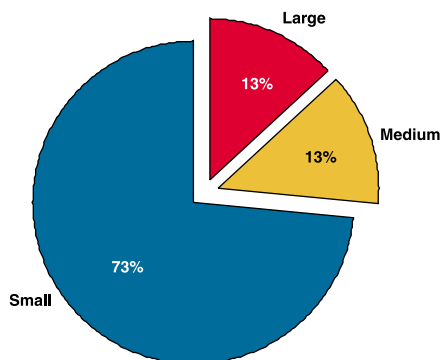
*With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.*

*Michigan's economy is export-dependent, with export sales of \$5,193 for every state resident.*

*Nearly 373,000 Michigan jobs depend on exports of manufactured goods.*

*10,482 companies—including 9,099 small and medium-sized businesses—export from Michigan.*

**86 PERCENT OF MICHIGAN'S 10,482 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES**



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.  
Source: U.S. Department of Commerce, Exporter Data Base.

most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry.

**Information technology.** Michigan is the home of many high-tech industries and benefits from the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Michigan, would likely see sales rise if the remaining barriers on IT products were eliminated.

**Agriculture.** Michigan is an important producer and exporter of agricultural products. According to the U.S. Department of Agriculture, Michigan's agricultural exports totaled \$782.2 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 22 percent to 32 percent as measured by export's share of farm cash receipts. Michigan's top agricultural exports are soybeans and products, feed grains and products, vegetables and products, fruits and products, and live animals and red meats. Michigan already benefits from past trade agreements. Under the Uruguay Round, South Korea is reducing its tariffs on soybean oil by 14.5 percent from 1995 to 2004, and the Philippines is reducing its tariffs on soybean meal from 10 to 3 percent. Under NAFTA, Mexico converted its import licensing system for corn to a transi-

tional tariff-rate quota. The Philippines converted its import ban on corn to tariffs as part of its Uruguay Round commitments. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

**Services.** Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to

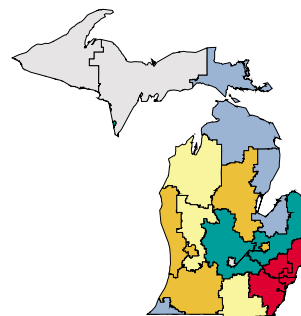
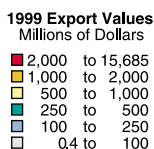
the new round of global services trade negotiations now under way to dismantle these barriers.

## Imports Also Important to Michigan

While exports generate clear benefits for the Michigan economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Michigan, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Michigan with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

### EXPORTS ARE SOLD FROM ALL OVER MICHIGAN

Michigan's Merchandise Exports by Three-Digit Zip Code, 1999



Note: Michigan's total merchandise exports in 1999 were \$41.5 billion. Due to federal disclosure regulations, shading of zip codes 493 & 496 refers to combined exports from these areas.

Source: U.S. Department of Commerce, Exporter Location Series.